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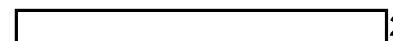


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State Dept. review completed

DIA review(s) completed.

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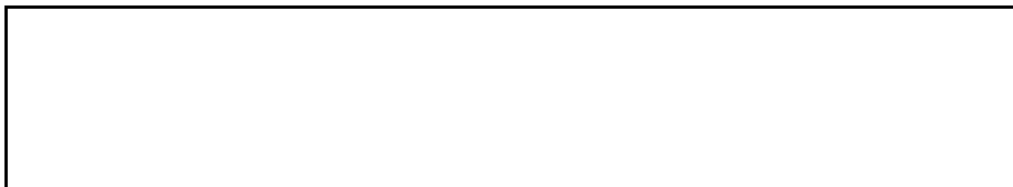
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PORTUGAL

The Portuguese government suspended its functions early this morning, saying that a split in the military made it impossible to govern.

The dramatic announcement, following a six-hour emergency meeting of the cabinet, said the government would remain suspended until President Costa Gomes guarantees conditions vital for the exercise of its functions and authority.

The action by Prime Minister Azevedo's two-month-old government apparently is not tantamount to a resignation, but is an effort to pressure Costa Gomes to resolve a split in the military. This split, between the anti-Communist ruling faction led by Foreign Minister Melo Antunes and the faction supported by the far left and the Communists, has caused a breakdown in discipline, crippling government efforts to maintain public order and get on with the business of governing the country.

There were authoritative reports yesterday that left-leaning General Otelo de Carvalho was to be removed from the sensitive post of Commander of the Lisbon Military Region, and that leftist commanders of both the military police and an important artillery regiment outside of Lisbon would be replaced. The government was also said to be planning to reduce leftist influence in the media by nationalizing the radio and television. Word of these changes apparently leaked out and Communists and the far-left opposition rallied forces in support of Carvalho and in defiance of the government.

Calling on Costa Gomes to solve the dilemma is a serious sign of weakness—and perhaps of resignation—by Portugal's present pro-Western leaders. The President's penchant for damaging compromise does not augur well for either a prompt or satisfactory solution.

Firm action by the Revolutionary Council today is necessary if the government is to be saved and a serious crisis averted. Failing this, the political forces at work in the country—including, and perhaps most significantly, those of the political right—could plunge Portugal into its darkest hours since its revolutionary experiment began 19 months ago.

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GUATEMALA-BELIZE

Guatemala is not likely to resort to military action against Belize for the present.

Guatemalan leaders will simply ignore the British- and Caribbean-sponsored UN resolution that calls for Belizean independence, self-determination, and territorial integrity. Their argument is that the UN is not legally competent to judge the matter. Guatemala had earlier threatened to use military force if such a resolution passed in the UN. President Laugerud recently told the US ambassador, however, that he would not order an attack as long as there is the slightest possibility of a negotiated solution.

The British intend to announce soon after the resolution's expected approval that they are ready to resume talks. They will send a Foreign Office official to Guatemala next week to underscore their willingness to negotiate.

Mexican President Echeverria's bluntly stated reactivation of Mexico's dormant claim to the northern portion of Belize has given the Guatemalans reason to be cautious. Further, the British reinforcement of Belize early this month has probably strengthened the hand of those who argue that military action would be foolhardy.

While the Guatemalans probably will decide against military force for now, they are not likely to begin immediate talks with the British. Negotiations would be difficult for them so soon after their expected stinging defeat in the UN. Guatemala will probably insist that the British reinforcements be withdrawn from Belize before it will resume talks.



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ISRAEL

Israel has apparently sold more surplus fighter aircraft abroad.

The US defense attache in Tel Aviv reported recently that the Israelis have begun readying 16 Super Mystere aircraft for shipment, possibly to Venezuela. Earlier this week, the Venezuelan military attache visited the company that is preparing the planes for shipment.

The Super Mysteres, which have been in the Israel inventory since the late 1950s, were retired from active service early last spring when additional US fighter aircraft became available.

Israeli arms sales have steadily increased over the past few years, and Latin America has become the principal customer of both old and new Israeli equipment. Since 1973, Israeli sales to Latin America have totaled \$43 million, and have included 18 obsolescent Ouragan fighters, 3 obsolescent Fouga Magister trainers, and some 30 new Israeli-produced Arava transports.

The Israelis also hope eventually to sell their new locally designed Kfir fighter. An Israeli aircraft official reported earlier this month that Tel Aviv has approved export of the multipurpose Kfir, and that production for foreign sales could begin in about 20 months. Thousands of Israeli workers are said to have been transferred from other aircraft projects to work solely on the Kfir, presumably to speed up production. Israel will probably meet its own requirement for some 120 Kfirs first before any are exported.

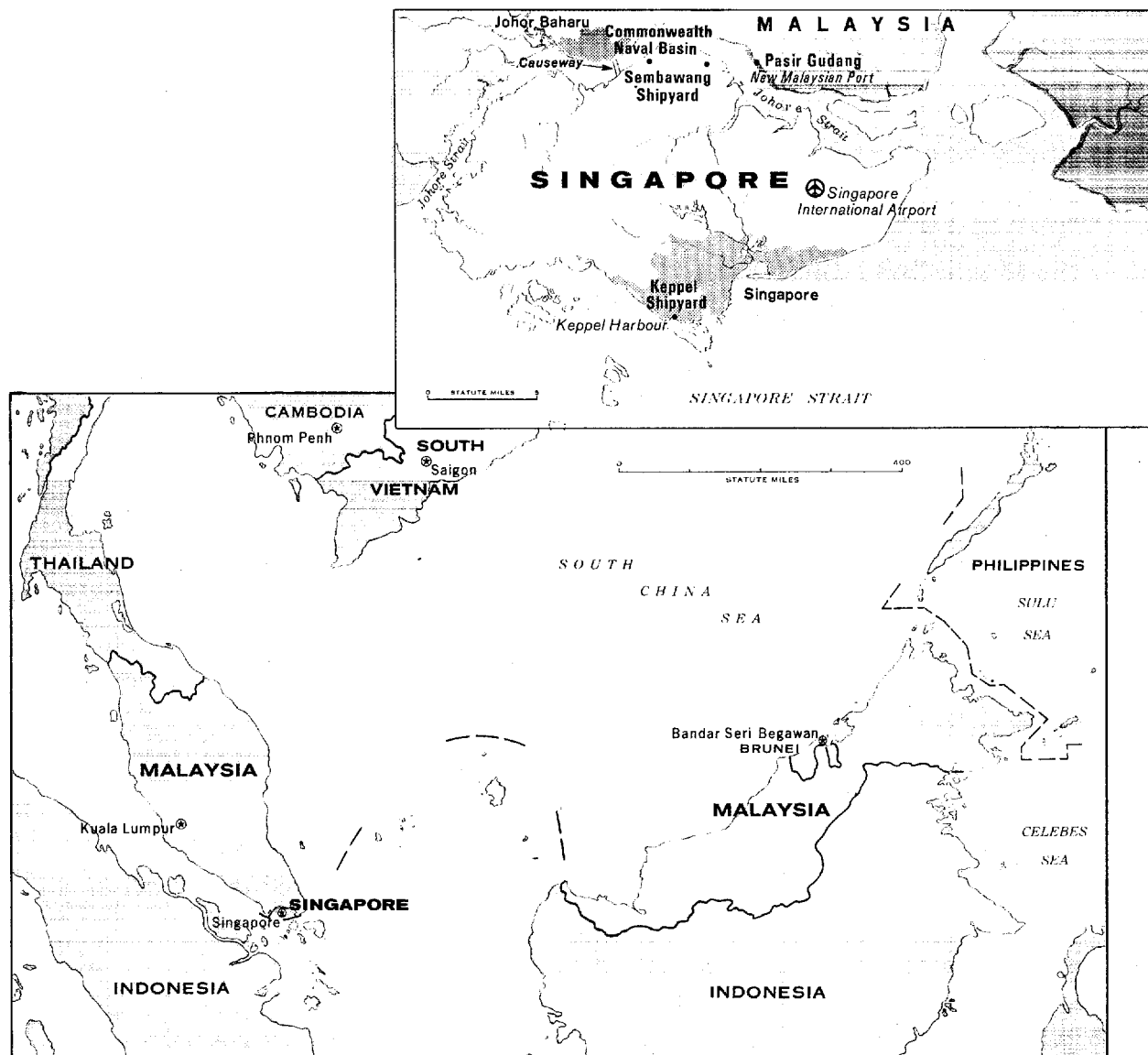
The Kfir cannot be exported until the Israelis obtain permission from the US. Its engine is produced under license from the US.

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SINGAPORE

The government once again is considering reversing its policy of denying Soviet merchant ships access to the Sembawang repair yard.

The effect would be to enhance Soviet intelligence-collection opportunities against US and Commonwealth warships that still use portions of the facility. In the past, Singapore has prevented Soviet ships from using Sembawang out of deference to US and Commonwealth security interests.

A final decision is probably contingent on whether Malaysia decides to accede to an expected request from London that Soviet ships be restricted from the port facility under construction just across the Strait of Johore. If Malaysia permits Soviet access, Sembawang authorities believe Malaysian competition may force Singapore to accept Soviet merchantmen at Sembawang. Singapore authorities, meanwhile, are claiming that the Soviet ships would pose no security problems for US or Commonwealth warships.

The main reason for a policy reversal would be economic. Sembawang remains the least profitable of Singapore's top three shipyards. Declining US and Commonwealth naval usage of the yard over the past few years, a general slump in the repair industry, and increased competition from Japanese and South Korean yards have generated a strong preference for full commercial utilization, including repair work on Soviet vessels.

Soviet warships will continue to be restricted to the main port area on the other side of Singapore.

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BANGLADESH

Unrest in the army seems to have diminished, at least for the moment, but trouble could quickly flare again, given the apparent inability of the officer corps to re-establish full control over the enlisted ranks.

No new incidents have been reported either in the past few days in Dacca, where the series of mutinies began on November 8, or in the northern districts, where disturbances occurred late last week. It is questionable, however, that the government's authority has been effectively restored at any of these locations.

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The Bengalees continue to worry about India's intentions.

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The embassy points out that Bengalees seeking to restore military discipline could be deliberately emphasizing the idea of an increasing Indian threat in order to unify the army, where anti-Indian sentiment runs deep.

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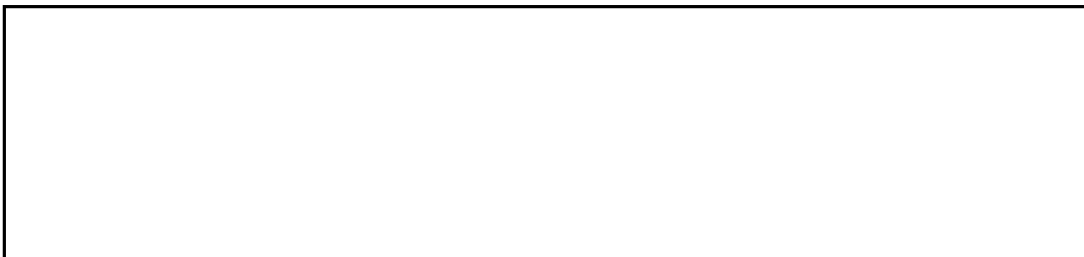
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MALAYSIA

A power play by Prime Minister Razak against his chief rival, Datuk Harun Idris, has caused new political tension and apprehension that communal strife may erupt again.

Razak has threatened to bring embezzlement charges against Harun unless the latter agrees to political exile by accepting the post of permanent representative to the UN. Razak's deadline passed on Tuesday, and it appears that Harun is defying the Prime Minister.

As head of the United Malays National Organization youth movement and chief minister of populous Selangor State, which surrounds Kuala Lumpur, Harun has an important independent political base from which to challenge Razak. Harun also has built a popular following by championing narrow Malay interests and playing on anti-Chinese feeling within the Malay community. He has for years complicated Razak's efforts to keep Malaysia's communal problems in balance. Harun, a hero to many less sophisticated Malays, is suspected of having played a role in fomenting the destructive anti-Chinese communal riots in 1969.



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CHILE

Because of Chile's position on human rights, the UK, the Netherlands, and Sweden are pressing for full payment of the \$41.3-million debt obligation owed them this year.

Santiago has already paid 10 percent of the obligation, in accordance with the renegotiation terms agreed upon during the meeting of Chile's creditors last May in Paris. Payment of the full amount to the three countries could cause the remaining 11 Paris Club members to demand equal treatment, requiring an additional payment to them of about \$230 million.

Chile is in no position to pay an amount this large because of its serious balance-of-payments difficulties, and will likely be forced to default its obligations to the three countries. Santiago is worried about the effect of such a default on its zealously protected international credit rating

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